

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03  
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15  
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 /126 W

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R 121608Z SEP 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 8686  
INFO ALL EC CAPITALS  
USMISSION GENEVA

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USEEC

PASS AGRICULTURE ELECTRONICALLY  
PARIS ALSO FOR USOECD  
GENEVA ALSO FOR USMTN

E.O. 11652: N/A  
TAGS: EAGR, EEC  
SUBJ: PROPOSED EC SUBSIDY FOR DEGERMING OF CORN

REF: (A) BRUSSELS 9726; (B) BRUSSELS 9192; (C) EC A-206

1. SUMMARY: THE COMMISSION HAS PROPOSED THE ESTABLISH-  
MENT OF A SUBSIDY FOR DEGERMING CORN. THE POTENTIAL  
IMPACT OF THIS SUBSIDY IS THOUGHT TO BE MINOR. END  
SUMMARY.

2. REFS A AND B REPORTED THE COMMISSION'S INTENTION TO  
EXAMINE THE POSSIBILITY OF PROVIDING SUBSIDIES FOR THE  
DEGERMING OF CORN. THE COMMISSION HAS NOW SUBMITTED A  
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FORMAL PROPOSAL TO THE COUNCIL WHICH WOULD ESTABLISH SUCH  
A SUBSIDY OVER THE PERIOD JANUARY 1, 1979 TO DECEMBER 31,  
1981. THE PROPOSAL (WHICH APPEARS IN OFFICIAL JOURNAL  
C 172 OF JULY 19, 1978) WOULD PROVIDE A SUBSIDY OF 1.7  
UA PER 100 KG OF CORN GERM; THE GERM WOULD HAVE TO BE  
USED IN THE COMMUNITY FOR CORN OIL PRODUCTION. HOWEVER,  
THE SUBSIDY WILL NOT BE PAID FOR CORN GERM PRODUCED AS A

RESULT OF MANUFACTURING PROCESSES WHICH ALREADY BENEFIT FROM THE EC'S EXISTING SYSTEM OF PRODUCTION SUBSIDIES FOR CORN USED IN CERTAIN INDUSTRIES - (I.E., FOR STARCH, GLUCOSE AND BEER PRODUCTION -- REF C). THE PROPOSED REGULATION WOULD REQUIRE THE COUNCIL, ACTING UPON A PROPOSAL BY THE COMMISSION, TO DECIDE BEFORE DECEMBER 31, 1981 WHETHER OR NOT TO CONTINUE THE SYSTEM OF SUBSIDIES FOR DEGERMING OF CORN.

3. COMMISSION OFFICIALS IN THE OILSEED SECTION TELL US THAT THEY EXPECT THE ECONOMIC EFFECTS OF THE SUBSIDY PROGRAM TO BE MINOR; THEY HAVE BUDGETED FUNDS FOR AN AMOUNT OF CORN GERM EQUIVALENT TO ONLY 6 TO 9,000 TONS OF CORN OIL FOR FIRST YEAR'S OPERATION OF THE PROGRAM. THE PRIMARY MOTIVATION FOR THE PROPOSED SUBSIDY PROGRAM APPEARS INSTEAD TO BE POLITICAL. IT SHOULD BE SEEN IN THE CONTEXT OF THE 1978/79 PRICE PACKAGE AS A MINOR CONCESSION TO ITALY.

4. THE OFFICIALS SAY THAT THE LEVEL AT WHICH THE SUBSIDY IS PROPOSED IS NOT SUFFICIENT TO INDUCE ANIMAL FEED MANUFACTURERS TO PARTICIPATE IN THE PROGRAM. THIS INDUSTRY, WHICH USES ABOUT 13 MILLION TONS OF CORN EACH YEAR, CONSTITUTES BY FAR THE LARGEST POTENTIAL SOURCE OF CORN OIL PRODUCTION. IN ORDER TO INTEREST THE FEED INDUSTRY IN THE DEGERMING OF CORN, THE OFFICIALS SAY THAT THE SUBSIDY LIMITED OFFICIAL USE

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WOULD HAVE TO BE SET AT LEAST THREE TIMES AS HIGH AS PROPOSED. INSTEAD, THE OFFICIALS EXPECT THAT THE PROGRAM WILL PROVE ATTRACTIVE ONLY TO PRODUCERS OF SUCH PRODUCTS AS POLLENTA, CORNFLAKES, ETC. SINCE THESE INDUSTRIES ALREADY EXTRACT GERM FROM CORN IN THEIR MANUFACTURING PROCESSES, THE NET INCREASE IN CORN OIL RESULTING FROM THE SUBSIDY IS LIKELY TO BE NEGLIGIBLE. IT SHOULD BE REMEMBERED THAT THE WET MILLING INDUSTRY, WHICH CURRENTLY ACCOUNTS FOR MOST OF THE CORN OIL PRODUCTION IN THE COMMUNITY, WOULD NOT BE ELIGIBLE FOR THE PROPOSED SUBSIDY.

5. OUR CONTACTS WITH THE TRADE CONFIRM THE COMMISSION'S ASSERTION THAT THE IMPACT OF THE PROPOSED SUBSIDY WILL BE MINOR. THE FEED INDUSTRY APPEARS TO BE COMPLETELY UNINTERESTED IN THE PROGRAM. THE DEGERMING OF CORN WOULD REQUIRE A VERY HEAVY CAPITAL INVESTMENT ON THEIR PART. IN ADDITION, THERE WOULD BE HIGH DRYING COSTS FOR THE RESIDUE. ALSO, EXPERIMENTAL WORK IN THIS AREA HAS REVEALED FEEDING PROBLEMS WITH THE DEGERMED CORN. WITH RESPECT TO THE POSSIBLE INCREASE OF CORN OIL PRODUCTION BY MANUFACTURERS OF POLLENTA AND SIMILAR PRODUCTS, IT IS FELT THAT SUCH EXPANSION WILL DEPEND PRIMARILY ON DEMAND

FOR THE BASIC PRODUCT. THESE INDUSTRIES ARE CURRENTLY OPERATING BELOW CAPACITY, HOWEVER, AND THE SUBSIDY MAY IMPROVE THEIR FINANCIAL POSITION SOMEWHAT.

6. U.S. EXPORTS OF CORN OIL TO THE COMMUNITY AMOUNTED TO ABOUT 7,000 TONS IN 1977, WITH A VALUE OF FOUR MILLION DOLLARS. ACCORDING TO FEDIOL (EC FEDERATION OF OILSEED CRUSHERS) STATISTICS, APPARENT CONSUMPTION OF CORN OIL IN THE EC TOTALED ABOUT 60,000 TONS IN 1977 (PRODUCTION - 55,000 MT; IMPORTS, 18,000 MT; AND EXPORTS, 13,000 MT). FEDIOL ESTIMATES THAT THE GERM CONTENT OF CORN PROCESSED IN THE EC RANGES FROM 4 TO 15 PERCENT AND THE OIL CONTENT OF THE GERM FROM 10 TO 52 PERCENT. THE AVERAGE EXTRACTION OF GERM IN FRANCE (THE ONLY COUNTRY FOR WHICH SUCH LIMITED OFFICIAL USE

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AN ESTIMATE WAS MADE) IS SAID TO BE ABOUT 12 PERCENT OF THE TOTAL WEIGHT OF THE CORN; THE AVERAGE OIL CONTENT OF THE GERM, ABOUT 22 PERCENT. MCCARTHY

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CORN, BACTERIA, SUBSIDIES  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Disposition History:** n/a  
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**Reference:** 78 BRUSSELS 9726, 78 BRUSSELS 9192  
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**Status:** NATIVE  
**Subject:** PROPOSED EC SUBSIDY FOR DEGERMING OF CORN  
**TAGS:** EAGR, EEC  
**To:** STATE  
**Type:** TE  
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